



TACOM



APBI -1998

What's Next in Acquisition Reform

Presented by: Ms. Celeste Aaron
Acquisition Reform & Streamlining Group

OUTLINE

**1. Aggressively pursue
and implement
acquisitions reforms**

**2. Bring about greater
civilian/military industry
integration**

**3. Shift major share of
resources from
support to
modernization**

**4. Reengineering the
logistics system**



**Times Have
Changed....**

ACQUISITION REFORM

Year 2000 Goals

Decrease Paper Transactions



**Increase
Purchase Card Use**



Reduce Cycle Times



Visibility of Assets



Aggressively Pursuing & Implementing Acquisition Reforms

FAR Part 15 Rewrite - Major Changes

Source Selection Processes

- best value continuum**
- tradeoff process**
- lowest price technically acceptable**
- oral presentations**

Market Research

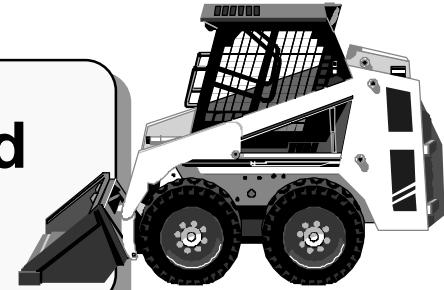
Past Performance Evaluation

Pre-solicitation Communications



We Are Aggressively Pursue and Implement Acquisition Reforms

- **How We Build Requirements and Budget**



- **How We Buy**
 - **FAR Part 12 Streamlining**
 - **FAR Part 15 Rewrite**



- **How We Support**
 - **Supply to Service Shift**



Buying a Home or Building an Addition



We:

Define our Requirements

Purpose and Performance
Funding and Schedule

Conduct Market Research

Supplier Capabilities
Past performance

Evaluate Several Proposals

Differing approaches
Differing materials
Differing costs

Select Best Value for our Need

**Acquisition reforms
now allow us to take
the same good
business actions we
would in our own lives!
(See the FAR Part 15
rewrite)**



Committed to Excellence

Keeping Your Car Running...



**From Supply to Service
Dominated**

**“ I need 6 plugs, an oil filter, a
carburetor kit, and some
brake shoes. ”**

1978

**Performance Based
Services Initiatives**

1998



**“The car has been running
rough, and I’m getting a
squealing noise when I stop.
How long will it take to fix?”**

Aggressively Pursuing & Implementing Acquisition Reforms

Move To Paperless Acquisition

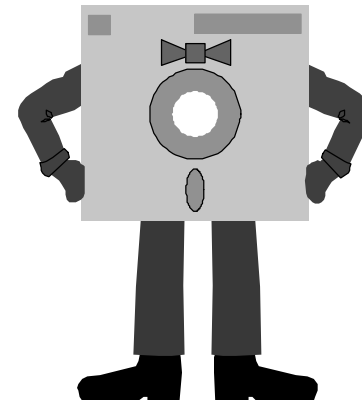
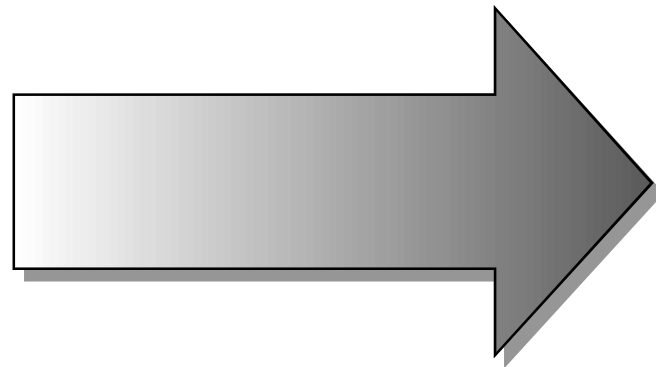
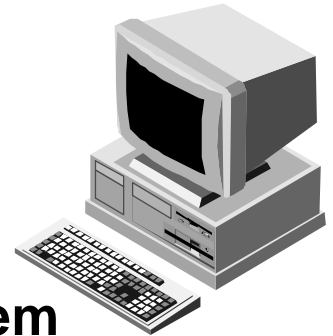
- Electronic Data/Finance Integration With Suppliers Being Established

- Expanding Credit Card Use

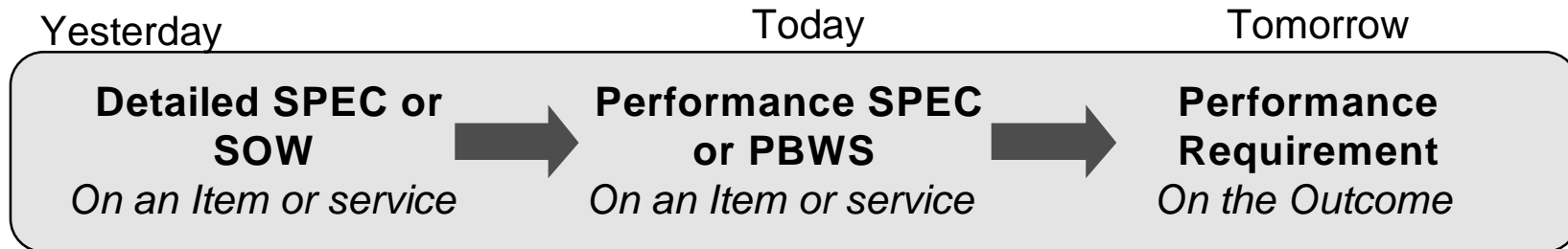
- Standard Procurement System

- Electronic Contracting and Ordering

- Electronic Shopping Malls & Virtual Contracting Web sites



Think In Performance Terms

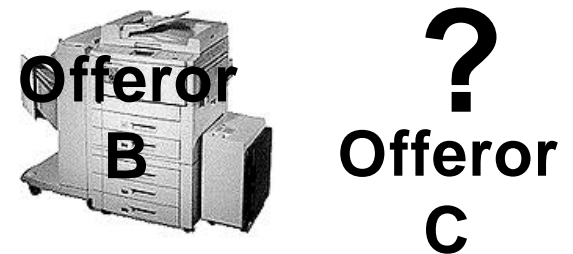


In the past, we bought copiers.



- Select Capacity & Features
- Buy Hardware
- Buy a Maintenance Contract
- Later make rebuy decision
- Pay disposal costs

But we never
really wanted
copiers, we want
copies!



- Select number of copies and time requirements
- Specify customers
- Select best contractor

Output contracting

A Revolution In Business Affairs Is required.....

We Are Modernize Despite the Budget

- Decreasing reliability, increasing O&S costs
- Potential adversaries access to advanced technology
- Must Retain Technological Superiority

“We have put off force modernization over the last decade -- allowing procurement to fall by over 70%.”

Honorable Dr. Jacques S. Gansler

Chinese 185-iii Tank

FOR SALE

TWV Inventory	250,000
Avg Svc Life	17 years
Annual Procurement	5,000

50 years to renew the fleet!

“...Equal to US M1 or German Leopard...”

Direction and Emphasis: From Here to the Future

**Sources:
National Performance Review
Defense Reform Initiatives**

A Revolution In Military Affairs.....

Requires tailored forces:

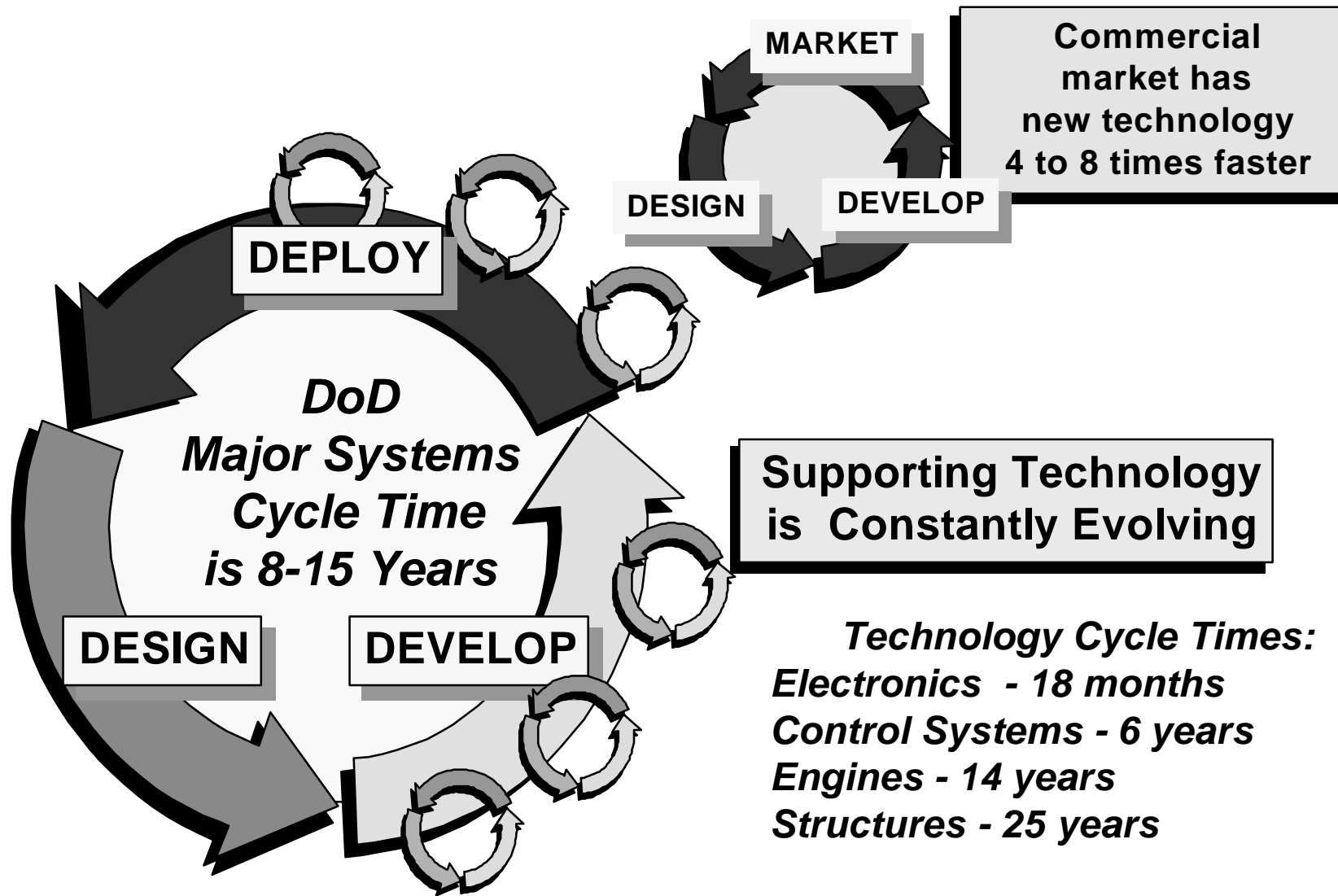
- High-Tech Weapons Available in the Commercial market**
- Long-range, “brilliant” weapons**
- Unknown threats require flexibility & global reach**



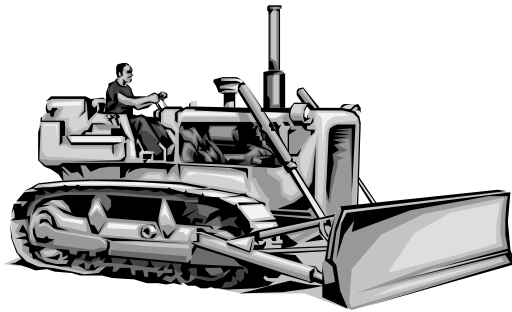
- Information Dominated Battlefield**
 - Achieve Interoperability with our Allies**

**Times Have
Changed...**

We Are bringing about greater Civilian/Military Industry Integration

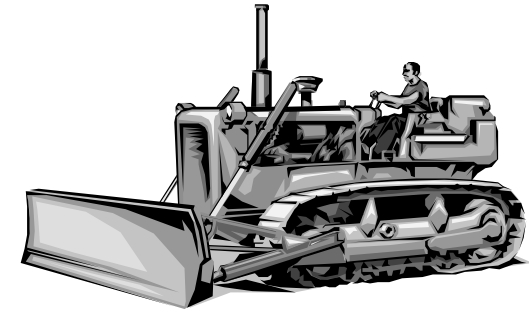
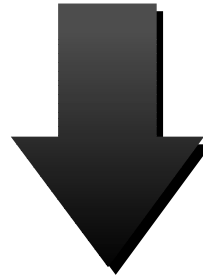


Are We *Always* Different?



Commercial Customer

**Same Equipment,
Same Supplier**

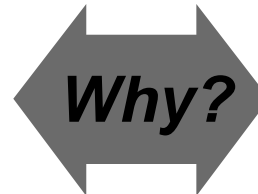


US Army

We need the same parts...

**Commercial
Delivery Lead-Time**

**Domestic: 2 Days
Overseas: 3 Days**



**US Army
Delivery Lead-Time**

**Domestic: 30 Days
Overseas: 50 Days**

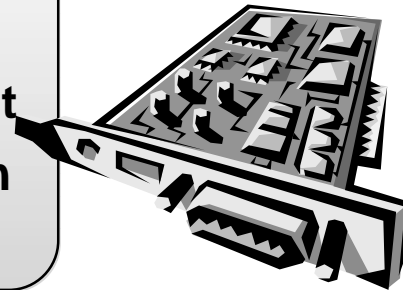
We developed costly infrastructure to support this difference...

And we can't afford that anymore!

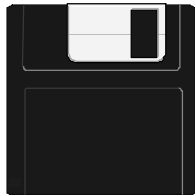
Take Advantage Of The Commercial Market

Use Commercial Items & Services

- Leverage industry investment
- Leverage industry strength in technology turn-over

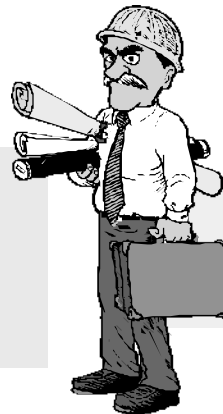


Commercial Items can work at all levels



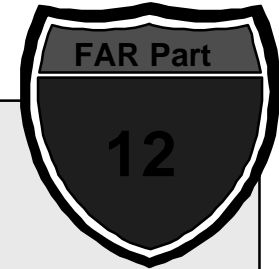
Consider past performance data from variety of sources

Rely on Contractor's Existing Quality Processes

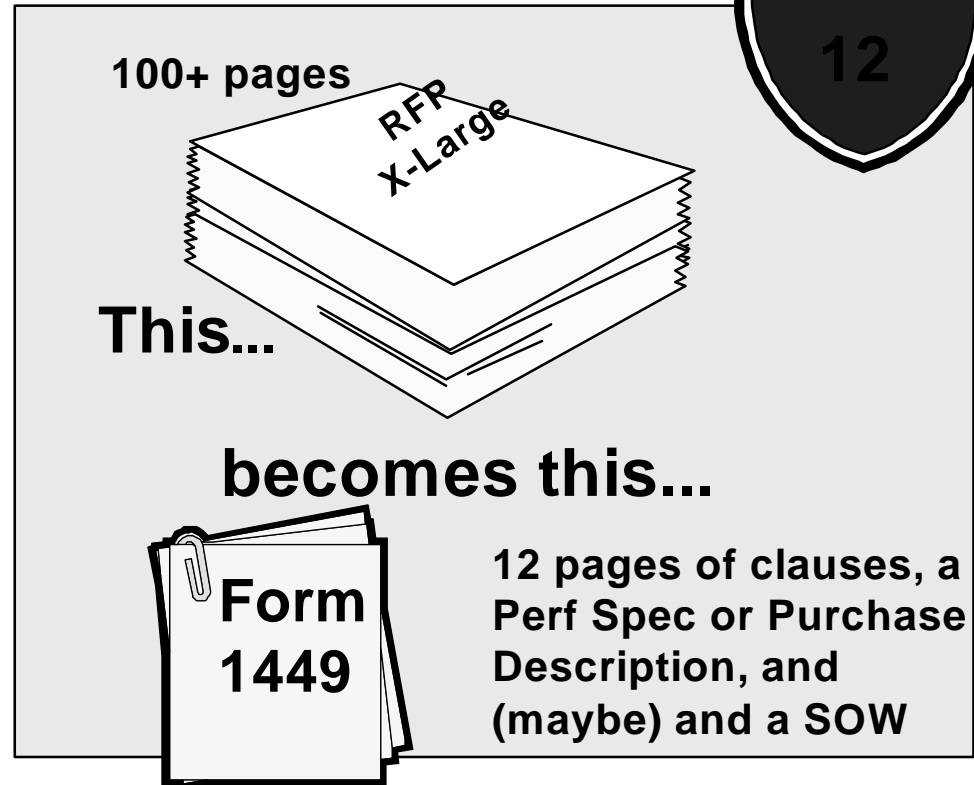


Rely on Contractor's logistics support

Commercial Item Procurement Benefits



- Increased industry play
- FAR Part 12 Reduces paperwork & time
- Streamlined process
- Catalog Prices
- Empowerment



**Commercial Items and
Services may have more of a
track record, as well as a wider
market base - more stability!**

Why Buy Commercial?

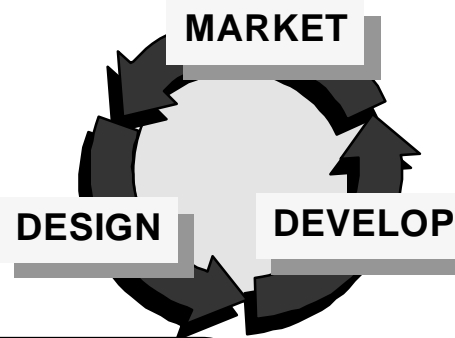


COMMERCIAL ITEMS & SERVICES



Existing Contractor's logistics support, warranties, & training,

Commercial market has new technology 4 to 8 times faster

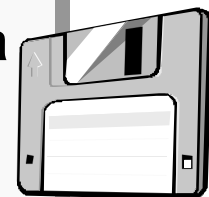


Existing Contractor's Configuration Management, Testing & Quality Process



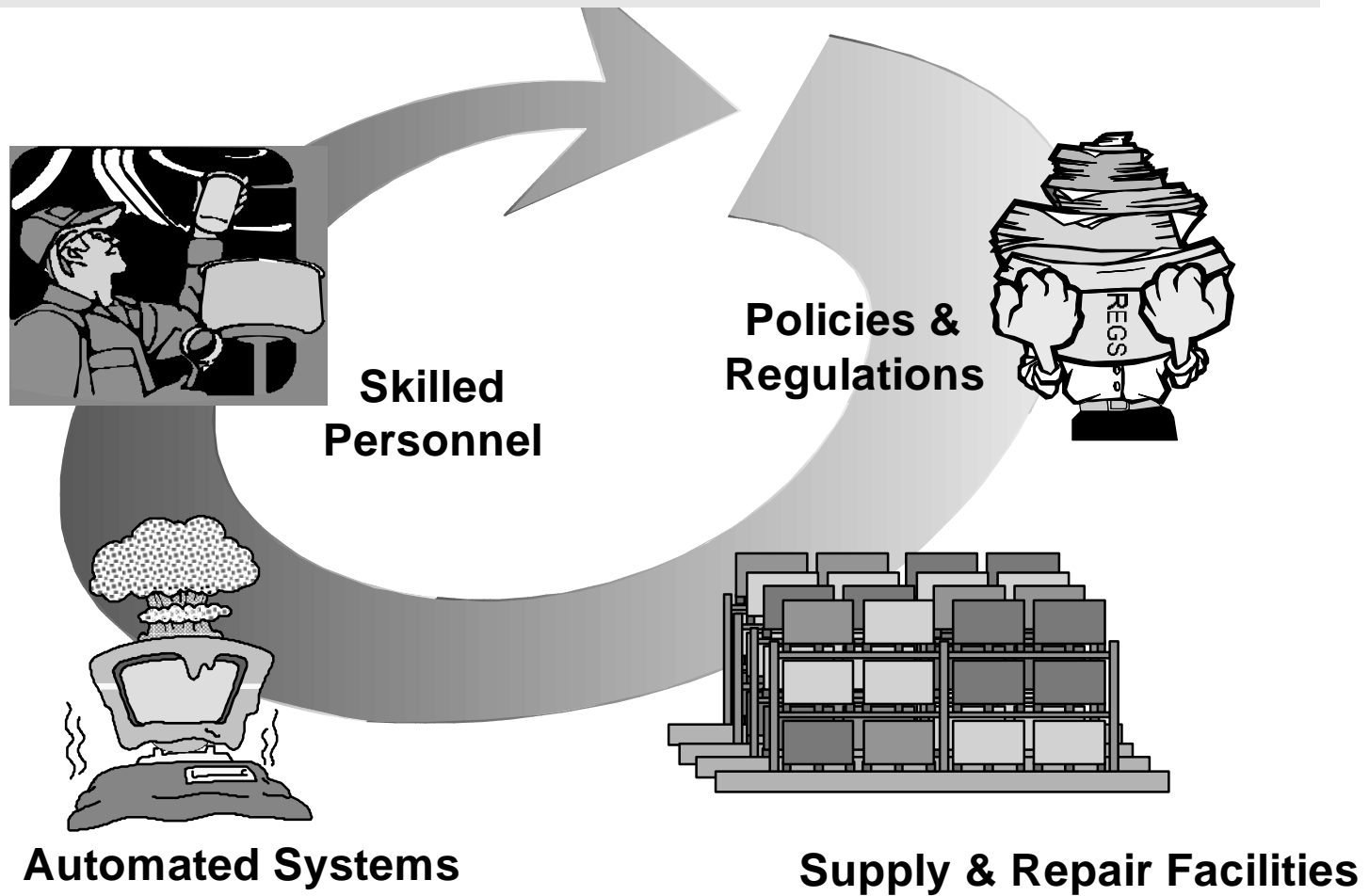
DON'T REINVENT THE WHEEL!
Neither the Design nor the Infrastructure

Past performance data from wide variety of sources



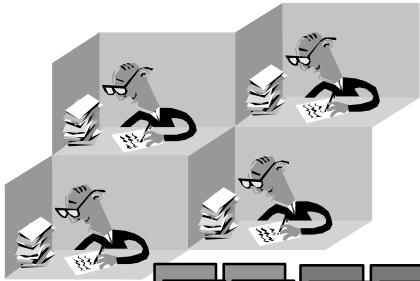
Reengineering to Reduce Infrastructure Costs

“We must totally reengineer our DoD logistics system... a 1950’s system... no longer affordable, nor does it provide acceptable performance.” Honorable Dr. Gansler



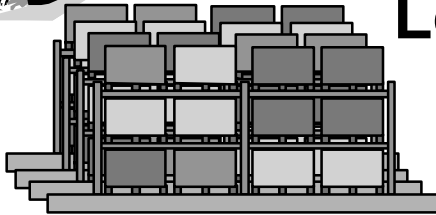
Shifting From Supply to Service Emphasis

1990



Large Workforce

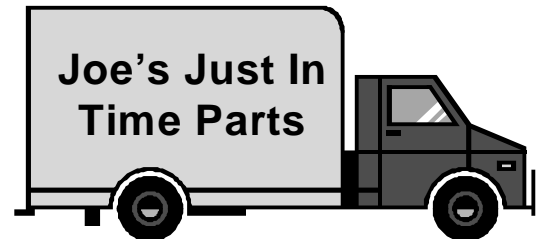
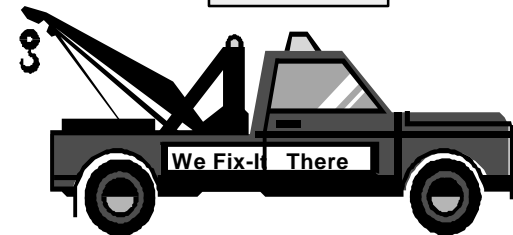
Lengthy Delivery Times



Numerous, Large Depots



2000?



Reengineering The Logistics System

Two Related Sustainment Cost Drivers Readiness and Inventory

Acquisition Lead-time
OPTEMPO
Demand History
Availability



How do we control
inventory cost while
meeting readiness
requirements?

FOCUSED SUSTAINMENT

**WHAT IS FOCUSED
SUSTAINMENT?**

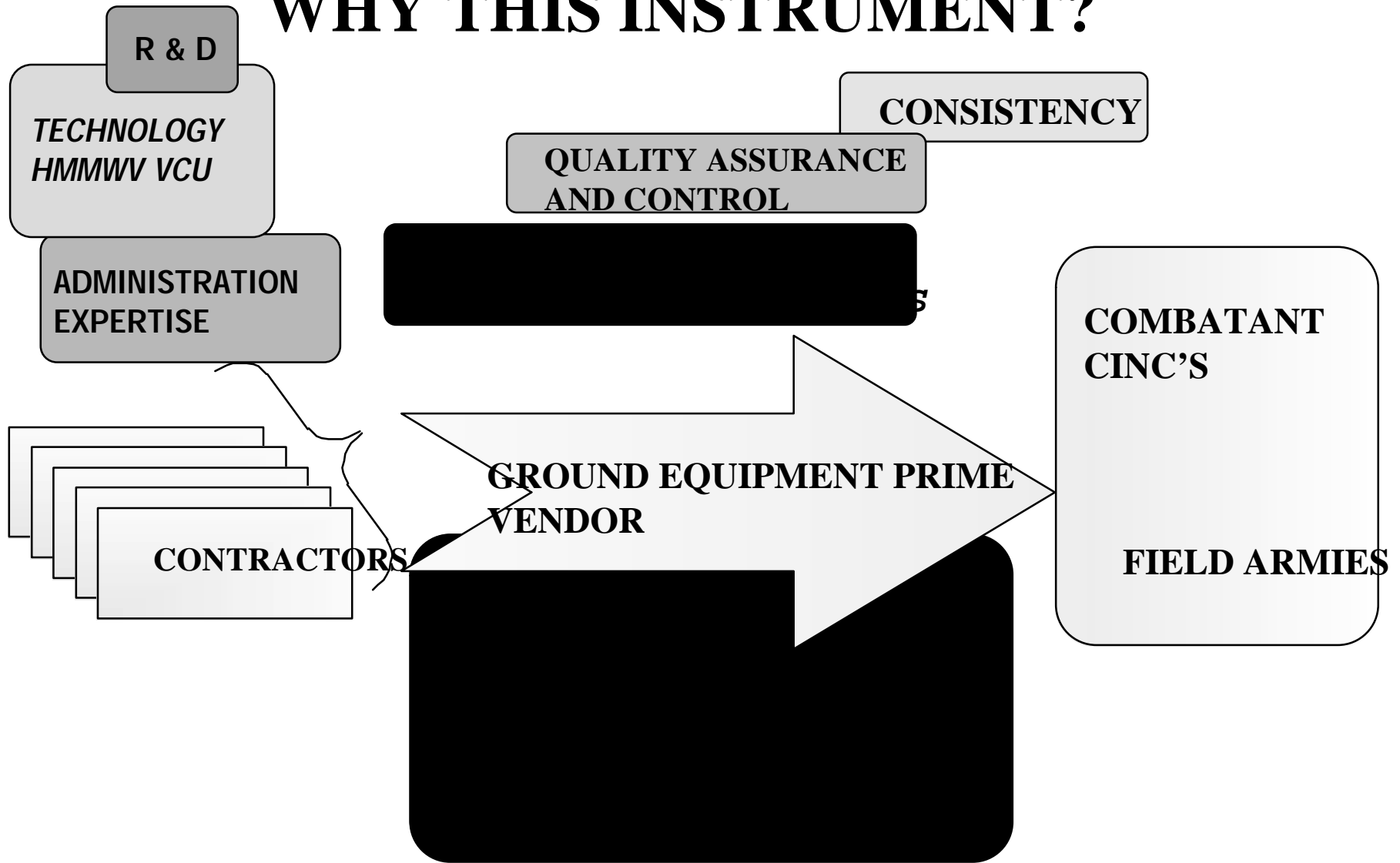
***"BUY ONLY WHAT'S NEEDED;
SPEND ONLY WHAT'S
NECESSARY"***

**Indefinite
Quantity,
Indefinite Delivery
Contract
Instruments that
provide logistics
services and
products on demand.**

***10-year contract with products and
services covering all sustainment aspects;
individually priced - each product or
service can be ordered in any increment
required.***

FOCUSED SUSTAINMENT

WHY THIS INSTRUMENT?



Committed to Excellence

Shifting Resources from Support to Modernization

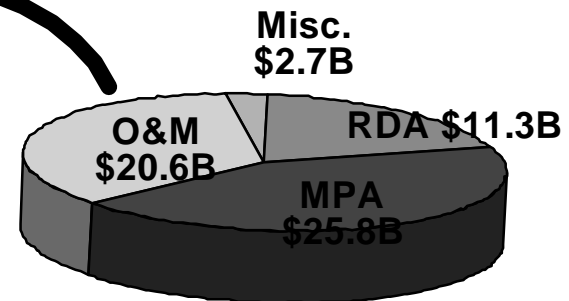
“We’ll pay for our Revolution in Military Affairs with a Revolution in Business Affairs”

Honorable William S. Cohen

“... far too much of the total budget goes to support, there must be a significant shift of resources from support to modernization...”

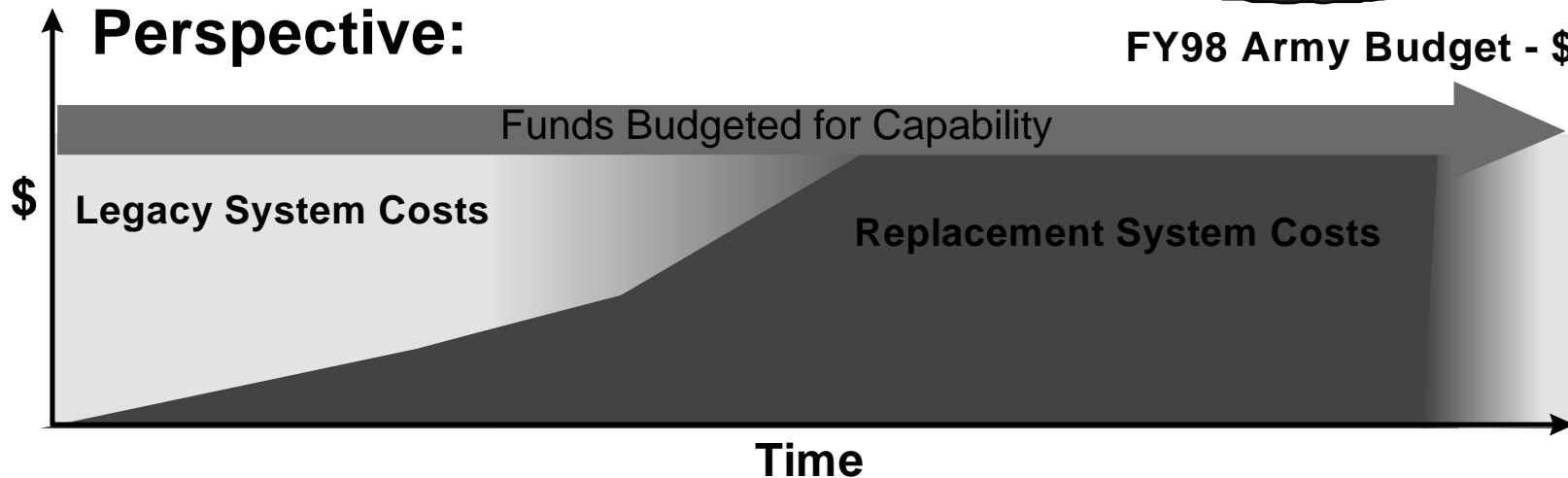
Honorable Dr Gansler

We must leverage O&M to modernize



FY98 Army Budget - \$60.4B

Using the TOC Perspective:

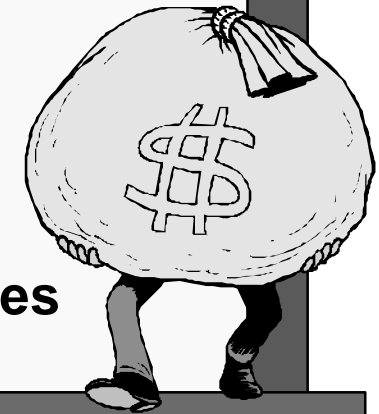


Committed to Excellence

Why are We Here?

CH-47 Helicopter
IOC: 1962 Planned Retire:

- **Aging equipment**
 - Increasingly costly to maintain and operate
 - Stagnant or declining performance
- **Proposed Army funding increase will not counteract past years of cuts**
- **Good stewardship of Government Resources**



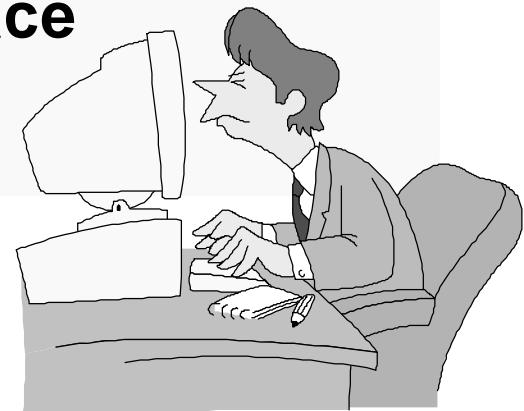
Since 1985:

Overall Budget Down 42%
Procurement Down 69%
Sustainment Down 32%

A Revolution In Business Affairs.....

“We Are Implementing Acquisition Reform”

- **Working Smarter, Not Harder**
- **Long Sought After Initiatives In Place**
-



“We must aggressively pursue and fully implement the acquisition reform initiatives of the past few years, and add to these where appropriate.”

Dr. Jacques S. Gansler, USD(A&T)

Don't be a 'Nay-Sayer'



“That is the biggest fool thing we have ever done. The (atomic) bomb will never go off... and I speak as an expert in explosives.”

ADM William Leahy, USN
to President Truman, 1945

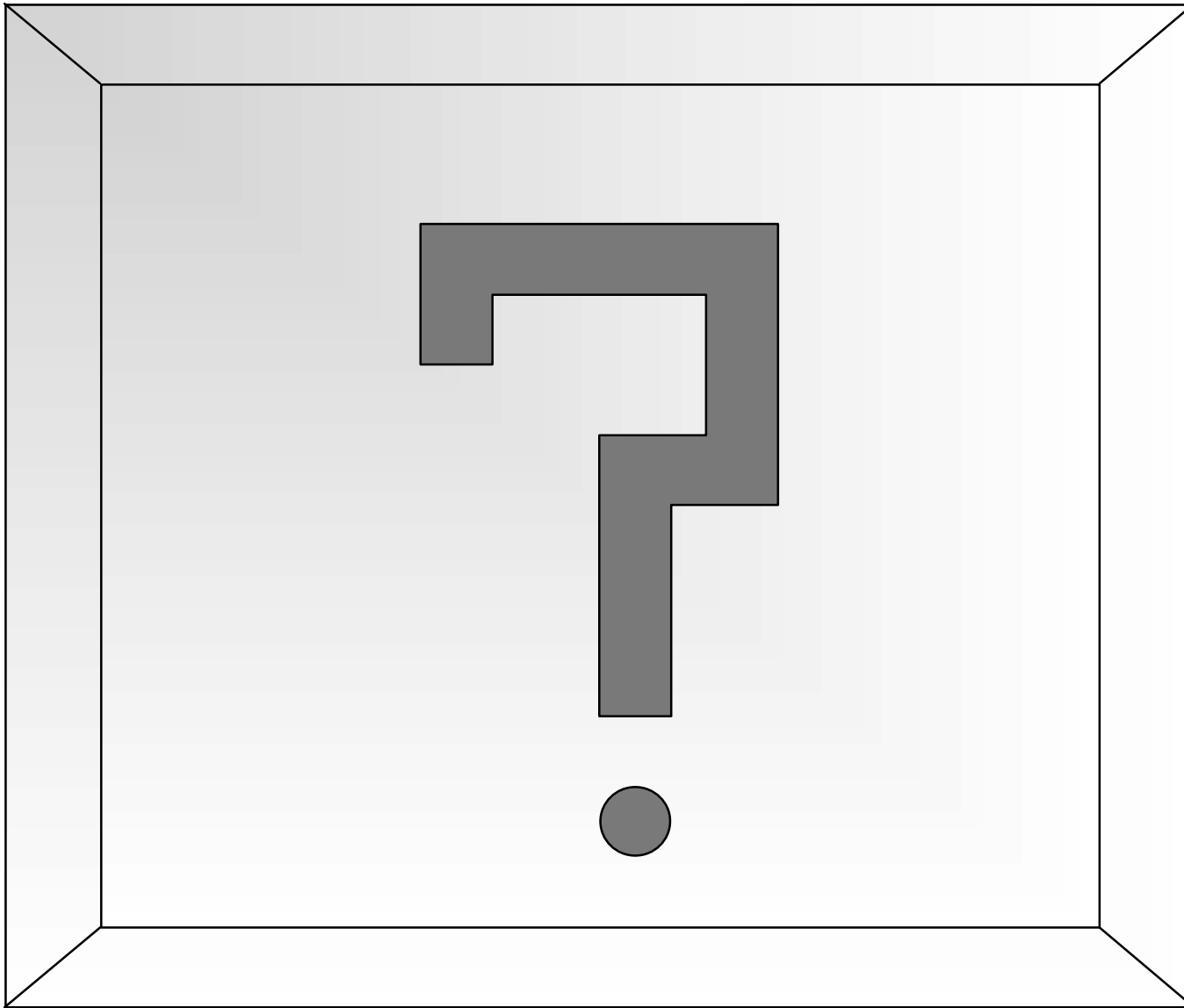
“We must not be misled to our own detriment to assume that the untried machine can displace the proved and tried horse.”

MG John K. Herr, USA

Strive to *Make* Reform a Success

SUMMARY

- ★ Paperless Environment by FY99
- ★ Increased use of Credit Card Purchases
- ★ Commercial Products
- ★ Modernization Thru Spares
- ★ Performance Based Progress Payment
- ★ Production Cycle Time Reductions
- ★ Logistics Reform and Privatization
- ★ Reducing the Cost of Ownership
- ★ More Corporate & Long Term Contracts
- ★ More Integrated Product Teams



Where We Are!

Government/Industry Relationships

- ★ Partnering
- ★ Integrated Production Teams
- ★ Concurrency in Procurement
(ALPHA Contracting)
- ★ Alternate Dispute Resolution

Where We Are! Continued

Requirements Reform

- ★ Performance Based Requirements
- ★ Contractor Configuration Control
- ★ Simulation in Lieu of Testing
- ★ Single Process Initiative
- ★ Commercial Products & Processes

Where We Are! Continued

Process Reform

- ★ Electronics/WWW/EDI
- ★ Credit Cards
- ★ Long Term Contractors
- ★ Past Performance Evaluation
- ★ Direct Vendor Delivery

What's Next!

Government/Industry Relationships

- ★ Qualified Supplier List
- ★ Leveraged Business with
DCMC/DLA & Industry
- ★ Prime Vendor
- ★ Longer Term, Fewer Contracts
- ★ Focus on Small Business Participation
- ★ Corporate Contracts

What's Next! Continued

Requirements Reform

- ★ Shorter Cycle Times
- ★ Logistics Reform & Privatization
- ★ Modernization Thru Spares
- ★ Commercial Products
- ★ Focus On Reducing the Total Cost of Ownership

What's Next! Continued

Process Reform

- ★ Electronic Contracting & Ordering
- ★ Electronic Shopping Malls and Virtual Contracting Web Site
- ★ Expand Credit Card Use
- ★ More Integrated Product Teams